

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AGRE-00 EB-08 COME-00 TRSE-00

CIAE-00 DODE-00 INR-07 NSAE-00 PA-01 USIA-06

PRS-01 SP-02 /036 W

-----260712Z 106482 /21

R 251637Z MAR 77

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 7064

INFO AMEMBASSY BOGOTA

USCINCSO

USCINCLANT

AMEMBASSY PANAMA

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EO 11652 NA

TAGS: PORS EFIN EAGR PINT ELAB ETRD PFOR VE US

SUBJ: THIS WEEK IN VENEZUELA

REF: CARACAS 2792(NOTAL)

SUMMARY. ACADEMIC PANEL ASSESSES GOV TAX REFORM PROPOSALS.

AGRICULTURAL PRODUCTION SUFFERS REVERSES. US ENVOYS

BRIEF PRESIDENT PEREZ ON PANAMA CANAL. PRESIDENT PEREZ'

CONGRESSIONAL MESSAGE ATTACKED BY COPEI. MERCHANT MARINE

SCUTTLES STRIKE PLANS. VENEZUELA NEGOTIATES \$1.2 BILLION

LOAN. WEALTHY ZULIA CATTLEMAN KIDNAPPED--THIRD IN AS MANY

MONTHS. ARREST OF THREE SUSPECTS IN NIEHOUS CASE CONFIRMED

END SUMMARY.

1. ACADEMIC PANEL ASSESSES GOV TAX REFORM PROPOSALS. A

SPECIAL BLUE RIBBON PANEL OF 25 CENTRAL UNIVERSITY ECONOMISTS

AND SOCIAL SCIENTISTS MET MAR 22 TO ASSESS THE IMPACT

OF THE REFORM PROPOSALS NOW BEFORE THE CONGRSS. MAJOR

CONCLUSIONS REACHED BY THE GROUP INCLUDED:

IFIMPLEMENTED IN THEIR CURRENT FORM, THE PROPOSALS

SHOULD PRODUCE BETWEEN BS 5.2 BILLION AND BS 9.4

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BILLION IN NEW REVENUE FOR THE GOVT.

UNLESS TAX REFORM IS ACCOMPANIED BY CHANGES IN THE

ADMINISTRATION OF PUBLIC FUNDS, THERE WILL BE VIRTUALLY

NO NET BENEFIT TO THE COUNTRY.

BY TRANSFERRING ADDITIONAL RESOURCES TO THE PUBLIC

SECTOR, THE PROPOSED NEW TAX LAWS WILL INCREASE THE ROLE

OF THE GOVT IN THE NATIONAL ECONOMY.

GOVT EXPENDITURES WOULD HAVE TO BE CAREFULLY
TAILORED TO AVOID CREATING ADDITIONAL DOMESTIC INFLATIONARY
PRESSURES.

CURRENT BUDGET EXPENDITURES SHOULD BE MINIMIZED TO
STALL RISING PRICES AND, IF NEEDED, PRICE CONTROLS SHOULD
BE IMPLEMENTED.

THREE OF THE EIGHT PROPOSALS NEED REVISION.

COMMENT: WHILE THE CONCLUSIONS ARE NOT NEW, THE PANEL'S
PRESTIGE IS LIKELY TO INFLUENCE GOV POLICY MAKERS. VARIOUS
PUNDITS SPECULATE THAT THE FINDINGS WERE TAILORED TO HIGHLIGHT
THOSE AREAS WHERE THE GOVT WAS PREPARED TO MAKE MAJOR
CONCESSIONS.

2. AGRICULTURAL PRODUCTION SUFFERS REVERSES. CARACAS
DAILY EL UNIVERSAL ON MAR 23 REPORTED THAT VENEZUELA'S
AGRICULTURE IS LIVING THRU ITS WORST CRISIS TO DATE.
AGAINST ALL THE OPTIMISTIC FORECASTS THE COUNTRY'S
AGRICULTURAL OUTPUT PLUMMETED. MINISTRY OF AGRICULTURE
FIGURES SHOW THAT OUTPUT IN 1976 REVERSED THE STRONG
AGRICULTURAL GROWTH TREND THAT HAD BEEN IN PROGRESS SINCE
1972(SEE FAS REPORT VZ-7002). AGRICULTURAL PRODUCTION IN
1976 DROPPED EIGHT PERCENT BELOW 1975 AND ON A PER CAPITA
BASIS FOOD PRODUCTION WAS AT THE LOWEST LEVEL SINCE THE
EARLY 1960'S
BEMOANING UNFAVORABLE WEATHER CONDITIONS,
PRESIDENT PEREZ STATED THAT NEITHER BANK CREDITS NOR THE
WILL OF THE FARMER WERE LACKING. SOME AGRICULTURAL SPOKESMEN
ARGUED THAT MORE GOVT SUPPORT IN PROVIDING NEEDED
CREDIT, FERTILIZER AND PESTICIDES WOULD HAVE BOOSTED YIELDS.
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SEVERAL PRODUCER ASSOCIATIONS ARE ALSO CALLING FOR HIGHER
PRICE SUPPORTS.

COMMENT: ALTHOUGH AGRICULTURE IS RECEIVING CLOSE ATTENTION
FROM THE GOV, IT APPEARS THAT THE HIGH LEVEL OF FOOD IMPORTS
WILL CONTINUE FOR THE FORESEEABLE FUTURE.

3. US ENVOYS BRIEF PRESIDENT PEREZ. AMBASSADORS BUNKER
AND LINOWITZ HELD A CLOSED-DOOR SESSION ON MARCH 24 TO
BRIEF PRESIDENT PEREZ ON THE STATUS OF THE PANAMA CANAL
NEGOTIATIONS. IT WAS A USEFUL EXCHANGE. PEREZ HAS FOLLOWED
THE PROGRESS OF THE NEGOTIATIONS CLOSELY.
PEREZ TOLD THE PRESS AFTER THE MEETING THAT HE IS
"OPTIMISTIC" ABOUT THE "POSSIBILITIES" FOR SETTLEMENT. PRESS
COVERAGE OF THE VISIT HAS BEEN MODERATE.

4. COPEI THUMPS CAP'S CONGRESSIONAL MESSAGE. AFTER A
2-WEEK DELAY, THE CHAMBER OF DEPUTIES MARCH 24 KICKED
OFF THE CONGRESSIONAL DEBATE ON PRESIDENT PEREZ' ANNUAL
MESSAGE TO THE CONGRESS. COPEI CONGRESSIONAL LEADER EDUARDO

FERNANDEZ DECRIED THE "ABYSMAL CONTRAST BETWEEN REALITY AND THE IMAGINARY COUNTRY PORTRAYED BY THE PRESIDENT." ACCUSING PEREZ OF AN APPLES AND ORANGES GAME IN COMPARING CURRENT AND CONSTANT PRICES, FERNANDEZ REITERATED THAT THE BOLIVAR HAD LOST HALF ITS VALUE SINCE 1968. ARGUING THAT THE WAR OF NUMBERS SHOULD BE BALANCED BY CONCEPTUAL DEBATE, HE CHANTED A LITANY OF SOCIAL AND ECONOMIC ILLS-INFLATION, LACK OF SOCIAL SERVICES, CRIME--FACING THE NATION.

5. MERCHANT STRIKE ABORTED. MEDIATION BY THE VENEZUELAN FEDERATION OF CHAMBERS OD COMMERCE AND INDUSTRY (FEDECAMARAS), AND THE CONFEDERATION OF VENEZUELAN WORKERS (CTV), ALONG WITH UNFAVORABLE RULING BY THE SUPREME COURT, CAUSED THE MERCHANT MARINE OFFICERS UNION TO SCUTTLE STRIKE PLANS FOR MARCH 21 AND TO SOLICIT AN AUDIENCE WITH PRESIDENT PEREZ TO DISCUSS GRIEVANCES. THIS ENDS, AT LEAST FOR THE MOMENT, THE THREAT OF FURTHER DISRUPTION OF VENEUZLEA'S ALREADY OVER BURDENED LIMITED OFFICIAL USE

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PORTS.

6. \$1.2 BILLION LOAN TO BE SIGNED MARCH 29. FINANCE MINISTER HURTADO AND REPRESENTATIVES OF 18 MAJOR INTERNATIONAL BANKS ARE EXPECTED TO SIGN A \$1.2 BILLION LOAN AGREEMENT IN LONDON ON MARCH 29. THE AGREEMENT WAS NEGOTIATED IN SUBSTANCE IN JANUARY, BUT THE SIGNING WAS DELAYED IN ORDER TO WORK OUT A PROBLEM OF LEGAL JURISDICTION AND TO ALLOW THE LEAD BANKS TO SYNDICATE PART OF THE LOAN TO SOME 100 BANKS IN THE US AND ELSEWHERE. UNDER THE TERMS OF THE AGREEMENT VENEZUELA MUST DRAW DOWN THE FULL \$1.2 BILLION BY MAY 1 OR INCUR ADDITIONAL COSTS.

7. WEALTHY ZULIA CATTLEMAN KIDNAPPED. INTERIOR MINISTER OCTAVIO LEPAGE HAS CONFIRMED THAT NELSON JOSE MACHADO LUGO, A WEALTHY RANCER IN ZULIA STATE, WAS KIDNAPPED MARCH 23 NEAR HIS HOME BY EIGHT ARMED MEN WEARING MILITARY UNIFORMS. MACHADO IS THE SON OF MILLIONAIRE LUIS RODOLFO MACHADO, PRESIDENT OF THE REGIONAL DEVELOPMENT BANK OF ZULIA AND OWNER OF THE MARACAIBO PROFESSIONAL BASEBALL TEAM. THE AUTHORITIES BELIEVE THAT THE KIDNAPPERS, WHO ARE SEEKING A RANSOM OF BS 8 MILLION, MAY BE THE SAME GANG THAT ATTEMPTED TWO OTHER ABDUCTIONS IN THE SAME VENEZUELAN-COLOMBIA BORDER AREA IN THE LAST THREE MONTHS.

8. ARREST OF THREE SUSPECTS IN NIEHOUS CASE CONFIRMED. IN RESONSE TO A WRIT OF HABEAS CORPUS, THE GOV ANNOUNCED MARCH 24 THAT THREE SUSPECTS IN THE NIEHOUS KIDNAPPING CASE, CARLOS LANZ RODRIGUEZ, ANGEL COLMENARES, AND LUIS ALBERTO SOLORZANO, WERE FORMALLY DETAINED MARCH 7 FOR CAUSE BY THE MILITARY TRIBUNAL HANDLING THE CASE. LANZ AND

COLMENARES WERE ARRESTED FEB 22 IN ANZOATEGUI STATE
AND SOLORZANO A WEEK LATER IN MARACAY, ARAGUA STATE.

9. OTHER REPORTING THIS WEEK INCLUDED EXXON'S UNRESOLVED
NATIONALIZATION PROBLEMS (CARACAS 2944), THE MID-EAST
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VISIT OF PRESIDENT PEREZ(CARACAS 2983), A NEW MESSAGE
ABOUT WILLIAM NIEHOUS BY PURPORTED ABDUCTORS
(CARACAS 2841) AND THE OPENING OF THE SELA MINISTERIAL
MEETING(CARACAS 2941).
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
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Concepts: POLITICAL SUMMARIES
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Disposition Approved on Date:
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Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977CARACA03006
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770104-0348
Format: TEL
From: CARACAS
Handling Restrictions: n/a
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Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 CARACAS 2792
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
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Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3000623
Secure: OPEN
Status: NATIVE
Subject: THIS WEEK IN VENEZUELA
TAGS: PORS, EFIN, EAGR, PINT, ELAB, ETRD, PFOR, VE, US
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/0f9061b2-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009